

**WASHINGTON CITIZENS' COMMISSION ON
SALARIES FOR ELECTED OFFICIALS**

MINUTES

Regular Meeting
May 19, 2005
SeaTac

The meeting of the Washington Citizens' Commission on Salaries for Elected Officials was convened at the Radisson Hotel in SeaTac and brought to order by Vice Chair Hopkins on May 19, 2005 at 9:15 AM.

COMMISSION MEMBERS PRESENT

Ms. Alyea	Mr. Baxter
Mr. Boggs	Mr. Carlisle
Mr. Doman	Ms. Hanson
Ms. Hightower	Mr. Holzmeister
Mr. Hopkins	Ms. Hornbeck
Mr. Irwin	Mr. Ryan
Dr. Schwartz	Ms. Wicks

Mr. James Clark, the newly appointed Commissioner from Congressional District #7, was present to observe the meeting.

COMMISSIONER EXCUSED

Ms. Byington

STAFF PRESENT

Ms. Piñero
Ms. Sayer

Vice Chair Hopkins read the *Opening Statement* into the record.

PRESENTATION BY DR. CHANGMOOK SOHN, EXECUTIVE DIRECTOR, OFFICE OF THE FORECAST COUNCIL

Dr. Sohn made a Power Point presentation on the state's economic and revenue trends.

- The March 2005 forecast updated to June shows a stronger economy.
- The revenue expected for this and next biennium is \$7 billion more than was expected last year.
- The economy for Washington and the U.S. finally began to turn around in June/July 2003.
- About six months ago, the state's economy began to increase at a rate higher than the U.S. economy; that is the normal situation.
- Strong fiscal and monetary policies stimulated the economy from 2003 to late 2004.
- The Fed will continue to increase interest rates. The U.S. government is very sensitive to rate changes and a slower growth rate will be seen over the next two years.
- The U.S. fiscal policy for the next couple of years will be extremely tight. Dr. Sohn noted that he expects to see cuts in non-military costs.
- Wages are increasing. He sees significant growth in 2006 and 2007. However, health costs are rising more than wage increases.
- Employment (new jobs) grew by 44,800 in 2004 and the state is on a pace to see 60,000 in 2005.
- Wage rate growth is between 2% and 2.5% which is about the rate of inflation.

Commissioners and Dr. Sohn enjoyed a lively discussion regarding health care costs, wage and employment growth, the changes in employment, and inflation rates and indicators.

Dr. Sohn concluded that he doesn't see much change coming in the next two years and complimented the Commission on doing an excellent job. He stated that he found the increases over the past years to be reasonable and justifiable.

PUBLIC TESTIMONY

No members of the public were in attendance.

Present and representing the Judiciary was:

- Janet McLane, Administrator for the Administrative Office of the Courts.

Ms. McLane was present to respond to questions but not to make a presentation.

WORK SESSION

Approval of Minutes

Motion by Mr. Carlisle to approve the minutes of the April 28, 2005 meeting; second by Mr. Doman. Vice Chair Hopkins called for a voice vote. The motion passed unanimously.

Adoption of the 2005-06 Salary Schedule

Vice Chair Hopkins noted that in conducting its 2005 salary setting work, the Commission:

- Held five public hearings.
- Received oral and written input from the public.
- Heard a presentation and studied the results of the point factor evaluation of the legislative and judicial positions conducted by Fred Owen of Owen-Pottier, Inc.
- Heard testimony by the elected officials in all three branches of government and received a letter from Governor Gregoire.
- Heard a presentation from Cary Randow, Compensation Manager for the Department of Personnel, about salary administration and compensation in state government.
- Heard a presentation on the status of the state's economic and revenue condition at today's meeting from Dr. ChangMook Sohn.

Vice Chair Hopkins stated that now is the time for discussion and resolution. He noted that the Commission had made its decisions by category in the past and that had worked well. He stated that the proposal adopted at the January 27th meeting called for a 1.5% COLA per year for all positions under the Commission's jurisdiction plus an additional 1% per year for legislators to begin to move them toward parity with positions in the Executive Management Service (EMS). He asked for comments.

- Ms. Hightower inquired whether any members were against granting a total 2.5% increase instead of breaking the increase down by COLA plus an additional percentage.
- Mr. Ryan stated that he was not sure an increase over the COLA was needed.
- Ms. Hornbeck stated that commissioners had heard from a few legislators not the majority. She is not overly influenced by political statements and is concerned about the makeup of the legislature; it needs to be more representative of the citizens of the state. She feels the Commission needs to make a gesture to recognize the value of legislators' work.
- Mr. Hopkins agreed and has some of the same questions and concerns. He stated that the Commission needs to keep the COLA the same for all positions.
- Mr. Carlisle agreed that the COLA was intended to be an across-the-board increase for all positions and that the justification for other increases should be considered separately.

Across-the-Board COLA

Vice Chair Hopkins called for a discussion on the across-the-board COLA. He reminded commissioners that the proposal adopted in January called for 1.5% each year for all positions.

- Mr. Doman thought 1.5% may be too low.
- Ms. Hightower and Ms. Alyea noted that 2.5% might be appropriate.
- Mr. Ryan explained the two CPI indicators and the IPD and stated that two years ago Dr. Sohn stated that the IPD was more accurate.
- Mr. Carlisle stated that the issue was whether to increase the proposed percentage and, if so, by how much. Considering the March CPI and Seattle CPI numbers, he is inclined to change the 1.5% to a combined total of not more than 4%.
- Ms. Hornbeck asked which inflator index the state uses, the CPI or the IPD.
- Ms. Hightower noted that Dr. Sohn has said that as metro Seattle goes so does the state.
- Ms. Sayer noted that when the unions negotiated for salary increases they used the Seattle CPI because it is higher than either the U.S. CPI or the IPD.
- Mr. Hopkins stated that he thought 2% was a good compromise and is consistent with Dr. Sohn's projections.

Vice Chair Hopkins called for a motion.

MOTION BY MR. IRWIN TO GRANT A COLA OF 2% PER YEAR FOR POSITIONS IN THE EXECUTIVE, JUDICIAL, AND LEGISLATIVE BRANCHES EFFECTIVE SEPTEMBER 1, 2005 AND SEPTEMBER 1, 2006; MOTION SECONDED BY MS. HIGHTOWER. VICE CHAIR HOPKINS CALLED FOR A ROLL CALL VOTE ON THE MOTION. YEAS: ALYEA, BAXTER, BOGGS, CARLISLE, DOMAN, HANSON, HIGHTOWER, HOLZMEISTER, HORNBECK, IRWIN, SCHWARTZ, WICKS, AND HOPKINS. NAY: RYAN. THE MOTION PASSED 13 TO 1.

- Mr. Doman stated that it was his recollection that in 2003 the Commission had not granted a COLA for the first year and had granted 2% for the second year. He asked if that was correct.
- Mr. Hopkins stated that was correct.

Legislative Branch

Vice Chair Hopkins called for discussion of an additional increase for legislators. He stated that the Commission had received a letter from Senator Jeanne Kohl-Welles asking that committee chairs also receive the annual leadership stipend. He asked Ms. Sayer what was presently being done.

- Ms. Sayer replied that the Senate Majority Leader and the Speaker of the House receive an additional \$8,000 on top of their base legislator pay for leadership duties and responsibilities and the Senate and House Minority Leaders receive an additional \$4,000.
- Mr. Carlisle stated that the Senator had raised a legitimate issue but that it had come to the Commission's attention too late in the process to consider for 2005-06. He suggested that the issue be put on the agenda in the 2007 salary setting session.
- Mr. Boggs agreed that it was too late in the going to address it this year.

- Ms. Hornbeck asked Ms. Sayer to research what other states do with respect to leadership stipends.
- Mr. Hopkins agreed that more information was needed such as how many committees there are and how many people would be involved.
- Ms. Hornbeck stated that the Commission needs input from the Legislature.
- Mr. Doman inquired whether there might be additional perks involved with being a committee chair.
- Ms. Hornbeck referred to the May 9, 2001 letter from the House and Senate leadership regarding legislative stipends.
- Mr. Hopkins stated that Senator Spanel had commented twice about the leadership stipend, stating that there may be no place to end if it were extended to committee chairs. He also noted that the issue had come up in the meeting with members of the Legislature that Fred Owen, Sue Byington, Carol Sayer, and he had regarding the results of Mr. Owen's study. The Commission heard the same thing at the January meeting when Senator Spanel testified. He believes the issue is complex and if the Commission starts breaking the legislative stipend down to the level of committee chairs, it will become unmanageable.
- Ms. Hornbeck agreed and suggested that the Commission might want to ask for a formal opinion in writing from the Legislature on whether the stipend should be expanded and, if so, for which positions. She further noted that the Commission's charter requires that salaries be based on responsibility. We need to know if committee chairs have more responsibility.
- Mr. Doman stated he was reluctant to move in that direction as committee chair assignments are based on party lines.
- Mr. Carlisle stated that the Legislative Information Sheet at Tab 23 in commissioners' binders gives some information about positions in the Legislature. He stated that the party in control would receive the stipends.
- Mr. Ryan stated that the premium for leadership is a product of much Commission discussion and deliberation. One piece of evidence is what other states do. He noted that in 2001 legislative leaders addressed the issue and provided input to the Commission. The four positions that currently receive the stipend are the key leaders in the Legislature.
- Ms. Hornbeck stated that another consideration is what a committee chair does; is it more actual work or more organizing and coordinating. Commissioners need to look at the decision making authority the chairs have. The four positions receiving the stipend clearly have decision making authority.
- Mr. Hopkins agreed that an opinion from the Legislature should be obtained before a great amount of staff time is spent on this issue.
- Mr. Baxter noted that the attachment to the Senator's letter is very difficult to read.
- Mr. Boggs noted that currently the top leaders are the only ones receiving the stipend.

Vice Chair Hopkins stated that the discussion had been very useful. He asked Ms. Sayer to draft a letter to the leadership from Chair Byington requesting their opinion on the issue. He stated that the 2007 Commission would then take up the matter. Commissioners will also need a list of the legislative committees.

- Ms. Hightower agreed that a list of committees is a must.

Vice Chair Hopkins inquired whether the legislator position should have an increase beyond the COLA. The original proposal included 1% per year.

- Ms. Hightower inquired what a 2% increase would look like.
- Ms. Piñero stated that with a 2% adjustment, the salary for 2005 would be \$34,912 and \$35,610 in 2006.
- Ms. Hornbeck noted that 2% keeps us on par with other states as they will also be making adjustments. She felt that 1% is justifiable and the Commission can review it again next session.
- Mr. Carlisle agreed with Ms. Hornbeck, stating that based on testimony from legislators 1% is fair.
- Ms. Hightower agreed to 1% on top of the COLA. We need to attract the best and brightest and the additional increase will help do that.

Vice Chair Hopkins asked if there was more discussion.

- Mr. Irwin suggested that the 1% be tested by a vote.

MOTION BY MS. HORNBECK TO GRANT AN ADDITIONAL 1% PER YEAR TO THE BASE LEGISLATOR PAY TO BEGIN TO MOVE TOWARD EQUITY WITH THE EXEMPT MANAGEMENT SERVICE POSITIONS AND TO ATTRACT THE BEST AND BRIGHTEST INDIVIDUALS TO PUBLIC SERVICE; SECOND BY MR. IRWIN. VICE CHAIR HOPKINS CALLED FOR A ROLL CALL VOTE ON THE MOTION. YEAS: ALYEA, BOGGS, CARLISLE, HANSON, HIGHTOWER, HOLZMEISTER, HORNBECK, IRWIN, SCHWARTZ, WICKS, HOPKINS. NAY: BAXTER, DOMAN, AND RYAN. THE MOTION PASSED 11 TO 3.

Judicial Branch

Vice Chair Hopkins reminded commissioners that although an additional increase above the COLA was not part of the original proposal adopted in January, commissioners had several discussions about it during their meetings and heard the judiciary testify in support of an additional increase.

- Mr. Carlisle stated that, in his opinion, three factors supported an additional 1% per year in addition to the COLA: The recommendation in Mr. Owen's report to move toward the Federal bench, testimony by the judiciary regarding the loss of good judges because of compensation; and testimony regarding the responsibilities of the judiciary. He supports a 1% per year increase and will make a motion to that effect.
- Mr. Boggs stated that he would like to see the percentage be higher to move toward the Federal bench. He is also concerned about losing judges to private firms.
- Ms. Hightower stated that we need to pay the judges more to stop the bleeding.
- Ms. Hornbeck noted that the salary for private beginning attorneys is \$95,000 to \$125,000 and that judges in private arbitration and mediation firms make much more.
- Mr. Baxter inquired about the number of federal judges.
- Mr. Carlisle responded that there were about 100 or so.
- Mr. Baxter stated that state judges were vying for a small number of Federal jobs. There are not a lot of Federal positions available. He stated that he doesn't understand the argument.

- Mr. Boggs stated that it was important to keep judges from going to private firms.
- Mr. Doman stated that he sees both sides of the issue but urged commissioners to resist the urge to use private practice as a comparable salary. The state cannot compete with private practice. He believes the Federal judiciary is a good and relevant benchmark. Movement toward the Federal bench is reasonable but the Commission can't get there all at once. He felt that 1% per year would start the process and send a positive message to the judges.
- Mr. Hopkins agreed that the state could not be competitive with the Federal bench overnight.

MOTION BY MR. CARLISLE TO ADD 1% PER YEAR TO THE BASE SALARY OF THE JUDICIAL BRANCH POSITIONS TO BEGIN TO MOVE TOWARD THE FEDERAL BENCH, TO ALIGN THE JUDICIARY WITH WHAT WAS DONE FOR THE LEGISLATURE, AND TO IMPLEMENT THE RECOMMENDATION OF THE JUDICIARY; SECOND BY MR. IRWIN. VICE CHAIR HOPKINS CALLED FOR A ROLL CALL VOTE. AYES: ALYEA, BAXTER, BOGGS, CARLISLE, DOMAN, HIGHTOWER, HOLZMEISTER, HORNBECK, IRWIN, RYAN, SCHWARTZ, WICKS, AND HOPKINS. NAY: HANSON. THE MOTION PASSED 13 TO 1.

Executive Branch

Vice Chair Hopkins called for discussion regarding the Executive Branch positions. He noted that the January proposal called for an across-the-board COLA of 1.5% for each year. No additional increases were proposed for these positions.

- Ms. Hornbeck referred commissioners to the recent letter from Auditor Sonntag regarding the additional responsibilities the Legislature had placed on his office for statewide performance audits.
- Ms. Hightower noted that in his testimony at the February meeting, Mr. Sonntag stated that performance audits would not have an impact on his office. She noted that there was an appropriation to his office for performance audits and questioned whether there was an increase in workload. She also reminded commissioners that he had testified that his salary was adequate and questioned why he is asking for more money now.
- Mr. Boggs stated that it was his understanding that the performance audits would be done in the future not now.
- Ms. Hornbeck noted that the Auditor's office is budgeted to begin the work in the 2005-07 biennium. She stated that it would increase the scope of work done by that office. She is concerned about the impact a change in salary would have to the alignment of the current point value structure.
- Mr. Boggs stated that he agrees with Ms. Hightower and that commissioners have Mr. Sonntag's letter but no real evidence to support it. He can't see what the upcoming responsibilities actually will be.
- Ms. Hightower reiterated that the Auditor had stated that he believed he was fairly compensated and that his salary was comparable with other state officials' salaries.
- Ms. Hornbeck stated that she prefers to not do anything at this point and to ask the Department of Personnel to reevaluate the position.
- Mr. Hopkins noted that while the number of audits will not increase, there will be a significant change in the work done. He noted that the additional responsibilities resulted in an increase of 10% to his budget. He believes the addition of performance audits will change the fundamental

nature of the job. In 2003, the Commission adjusted the salaries of the Secretary of State and Insurance Commissioner and aligned them with the salary of the Auditor and Treasurer. He believes it is premature to disrupt that alignment without more information.

- Mr. Ryan stated that he believes that the four positions are correctly aligned. He noted that the Secretary of State's salary was increased because of additional responsibilities. He agreed that the positions should be evaluated again. He stated that the responsibilities of the Auditor have been expanded considerably and that the position will be much more visible with the added responsibility.
- Mr. Hopkins noted that management concepts come and go and some do not have a long life. In the end, this may or may not change the scope of the Auditor's job.
- Mr. Ryan brought up the appointed agency heads' salaries and noted that the Director of the Office of Financial Management's salary is \$131,000 but the plateau maximum is \$170,000. He believes the Commission is pretty close to being on track.
- Ms. Hightower inquired whether the performance audits would be done only for the upcoming biennium or would they continue.
- Ms. Sayer responded that this is a new program funded by the Legislature and funding would most likely go forward.
- Mr. Hopkins stated that he did not believe the Commission had enough information to make a decision at this time.
- Ms. Hornbeck stated that, in her opinion, the correct way to think about it would be to compare the point value of the Auditor's position with the point values of the other positions after they are reevaluated.
- Ms. Sayer inquired whether commissioners were thinking about reevaluating the four positions (Auditor, Treasurer, Secretary of State, and Insurance Commissioner) or all nine positions.
- Mr. Hopkins stated that he would like to see all of the positions be reevaluated. He brought up the value of the work done on the legislative and judicial positions by Fred Owen. He also noted that Governor Gregoire's appointments have been at the high end of the scale.

MOTION BY MR. CARLISLE TO CONTRACT WITH THE DEPARTMENT OF PERSONNEL TO CONDUCT A POINT FACTOR EVALUATION OF ALL POSITIONS IN THE EXECUTIVE BRANCH PRIOR TO THE 2007 SALARY SETTING SESSION; SECOND BY MS. HORNBECK. VICE CHAIR HOPKINS CALLED FOR A VOICE VOTE ON THE MOTION; THE MOTION PASSED UNANIMOUSLY.

Vice Chair Hopkins asked if there was further discussion regarding the Executive Branch positions.

- Ms. Hightower reminded commissioners of the discussion at the Wenatchee meeting regarding aligning the Attorney General's position with that of the Supreme Court Justices.
- Ms. Hornbeck responded that Mr. Carlisle had commented on that issue, stating that it was not an appropriate alignment. She was concerned about getting that position out of sync with the current alignment and noted that the position would be reviewed prior to 2007.

Vice Chair Hopkins stated that since there was no further discussion regarding the Executive Branch positions, commissioners could consider their work done. He reviewed the 2005-06 Salary Schedule just adopted and stated that it takes effect on September 1, 2005 and September 1, 2006:

- The Executive Branch positions will receive a 2% COLA each year.
- The position of Legislator will receive the 2% COLA each year plus 1% each year added to the base salary to begin to bring legislators into alignment with positions in the Executive Management System. The legislative leadership stipend does not change and is a flat dollar amount of \$8,000 on top of the base legislator pay for the Majority Leader of the Senate and the Speaker of the House and \$4,000 for the Minority Leader of the Senate and the Minority Leader of the House.
- The positions in the Judicial Branch will receive the 2% COLA each year plus 1% each year added to the base salary to begin to bring the judiciary into alignment with the Federal bench.

Ms. Sayer reported that a conference call meeting will be scheduled in mid to late June to approve the minutes of today's meeting. She also noted that the office will be moving to the General Administration building in early June.

Vice Chair Hopkins thanked commissioners for their work and dedication and noted that the terms of commissioners Byington, Doman, Hanson, Holzmeister, Hornbeck, Ryan, Schwartz, and Wicks would end on June 30, 2006. Some will be eligible for appointment to a second term.

The meeting was adjourned at 12:15 PM

Ron Hopkins, Vice Chair

Date